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August 25, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Record Requests:

From the Department:

RR-DTE-51 (Supp) RR-DTE-171

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)
Andreas Thanos, Assistant Director, Gas Division (1 copy)
Alexander Cochis, Assistant Attorney General (4 copies)
Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 25, 2005

Responsible: Paul R. Moul, Consultant (Cost of Capital)

SUPPLEMENTAL RESPONSE

RR-DTE-51: Provide a copy of the Note evidencing the issuance of the remaining \$5 million in long term debt, authorized by the Department's financing order, DTE 04-80, which Bay State expects to issue before the completion of this proceeding. If necessary, update Mr. Moul's Schedules 1, 5 and 6.

Response: Attachment RR-DTE-51 includes the requested information that reflects the actual maturity of the 6.85% notes on June 21, 2005 and the actual issuance of \$10 million of new notes on June 21, 2005 and \$5 million of new notes on August 1, 2005. Specifically, Page 1 of Attachment RR-DTE-51 reflects an update to Schedule PRM-1. Page 2 of Attachment RR-DTE-51 reflects an update to Schedule PRM-5. Page 3 of Attachment RR-DTE-51 reflects an update to Schedule PRM-6, Page 2 of 2.

Supplemental

Response: Please see Attachment RR-DTE-51 (B) for a copy of the Company's \$5 million promissory note filed with the Department on August 3, 2005, which was inadvertently omitted from the Company's previous response to this record request, dated August 16, 2006.

In addition, please see Attachment RR-DTE-51, Page 3 of 3 REFILED. This refiled attachment is intended to replace an illegible version of this same attachment filed as part of RR-DTE-51, and dated August 16, 2005. No changes have been made to any of the previously filed data associated with RR-DTE-51.

James H. Keshian
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August 3, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 04-80

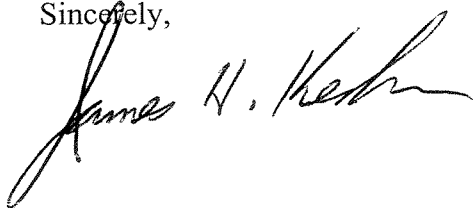
Dear Secretary Cottrell:

Pursuant to the Department's Order issued in the above-referenced docket on October 25, 2004, Bay State Gas Company ("Bay State") submits herewith to the Department copies of a 10 year note recently issued by Bay State to NiSource Finance Corp.

Please confirm your receipt of this submission by date stamping the enclosed copy of this letter and returning it to me in the envelope provided.

Thank you for your attention to this matter.

Sincerely,



Enclosure

cc: Marcella Hickey, Hearing Officer
Paul Osborne, Assistant Director, Rates & Revenue Requirements
Tom Carey, Analyst, Rates Revenue Requirements
Stephen H. Bryant, President, Bay State Gas
Robert L. Dewees, Jr., Nixon Peabody LLP

PROMISSORY NOTE

\$5,000,000

Issue Date: August 1, 2005
Due Date: July 31, 2015

FOR VALUE RECEIVED, the undersigned, Bay State Gas Company, a Massachusetts corporation ("Borrower"), hereby unconditionally promises to pay to NiSource Finance Corp., an Indiana corporation ("Lender"), at such place as Lender may from time to time designate in writing, in lawful money of the United States of America, the principal sum of **Five Million and 00/100 Dollars (\$5,000,000)** together with interest on the principal balance hereof from time to time outstanding at the rate of 5.44% per annum from the date such principal is advanced until payment in full thereof. The principal indebtedness evidenced hereby shall be payable on July 31, 2015. Borrower may prepay the principal amount hereof in whole or in part, without premium or penalty, at any time after the first anniversary of the date hereof. Any payment on this Note shall be applied first to accrued but unpaid interest until paid in full and second to the unpaid principal amount hereof.

Interest shall be payable semi-annually in arrears on the first business day of February and August (commencing on February 1, 2006) and on the date on which the principal balance hereof is paid in full. Interest shall be calculated on the basis of a 365 day year for the actual number of days elapsed. Notwithstanding the foregoing, in no contingency or event whatsoever shall interest charged hereunder, however such interest may be characterized or computed, exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Lender has received interest hereunder in excess of the highest rate applicable hereto, Lender shall promptly refund such excess interest to Borrower.

Borrower shall be in default hereunder if: (a) any amount payable to Lender under this Note is not paid within five (5) business days of the date it is due, (b) Borrower shall make any assignment for the benefit of creditors, or (c) there shall be commenced any bankruptcy or insolvency proceedings by or against Borrower. Upon and after the occurrence of a default hereunder, this Note may, at the option of Lender, and without demand, notice or legal process of any kind, be declared, and thereupon immediately shall become, due and payable in full.

Presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note has been delivered at and shall be deemed to have been made at Merrillville, Indiana, and shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the internal laws (as opposed to conflicts of law provisions) and decisions of the State of Indiana. Whenever possible each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provisions of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. Whenever in this Note reference is made to Lender or Borrower, such reference shall be deemed to include their respective representatives, successors and assigns. Notwithstanding anything herein to the contrary, Borrower may not assign or otherwise transfer any of its rights or obligations under this Note without the prior written consent of Lender.

IN WITNESS WHEREOF, the undersigned has executed this Note on the issue date set forth above.

BAY STATE GAS COMPANY

By: 

Stephen H. Bryant

Title: President

Bay State Gas Company
Calculation of the Embedded Cost of Long Term Debt
Pro Forma at December 31, 2004

Filed As Attachment RR-DTE-51
Page 3 of 3
REFILED

Class and Series of Obligation	Date of Maturity	Rate per Cent	Amount Outstanding	Interest Expense	Amortization of Debt Expense	Debt Expense
9.20% notes, due June 6, 2011	06/06/11	9.20%	\$ 8,500,000	\$ 782,000	\$ 7,584	\$ 789,584
6.58% notes, due June 21, 2005	06/21/05	6.58%	-	-	-	-
6.43% notes, due Dec. 15, 2025	12/15/25	6.43%	10,000,000	643,000	71,627	714,627
6.26% notes, due Feb. 15, 2028	02/15/28	6.26%	30,000,000	1,878,000	191,929	2,069,929
5.40% notes, due March 21, 2013	03/21/13	5.40%	50,000,000	2,700,000	62,772 (1)	2,762,772
5.58% notes, due Dec. 20, 2019	12/20/19	5.58%	35,000,000	1,953,000	38,028 (2)	1,991,028
5.94% notes, due Dec. 20, 2024	12/20/24	5.94%	35,000,000	2,079,000	28,080 (2)	2,107,080
5.25% notes, due Jun. 19, 2015	06/19/15	5.25%	10,000,000	525,000	720	525,720
5.44% notes, due Jul. 31, 2015	07/31/15	5.44%	5,000,000	272,000	-	272,000
Total Long -Term Debt			\$ 183,500,000	\$ 10,832,000	\$ 400,740	\$ 11,232,740

Effective Interest Rate

6.12%

Notes: (1) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 391,200		
Unamortized debt expense	207,420		
Subtotal	598,620		
Write down expense	(144,666)		
Total	\$ 453,954		
Amortization period:		Monthly	Annual
12/01/05 03/21/13	88	\$ 5,159	\$ 61,908

(2) Includes annual amortization of Call Premium and Unamortized debt expense on issue that was redeemed:

Call Premium	\$ 381,300		
Unamortized debt expense	1,283,380		
Subtotal	1,664,680		
Write down expense	(620,652)		
Total	\$ 1,044,028		
Amortization period:		Monthly	Annual
12/01/05 12/20/19	169	\$ 3,089	\$ 37,068
12/01/05 12/20/24	229	\$ 2,280	\$ 27,360

Source of Information: Company's 2004 Annual Return to the D.T.E. and Company provided data

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: August 25, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

RR-DTE-171: With regard to DTE-3-34, filed on July 29, 2005, revise the affected schedules as the result of the error in the use of the four-year historical average bare steel replacement capital expenditure.

Response: The second bullet under the first paragraph of the response to DTE-3-34 should read as follows:

- The four-year average historical bare steel replacement capital expenditure, as presented in Exh. BSG/JES-1, Schedule JES-17, page 3, of \$4,041,244, resulting in "Eligible Additions For SIR" of \$3,342,873;

Attachment RR-DTE-171 contains corrected pages 2 and 3 of Attachment DTE-3-34 (a) that have the correct total amount.

The Company notes that the change in the Total Average Cost, which was originally shown on Page 3, Column 6 of Schedule JES-17 (i.e., \$3,232,995), and is now shown as \$4,041,244 on Attachment RR-DTE-171, Page 2 of 2, Column 6, does not change the "Eligible Additions For SIR" figures originally shown on Schedule JES-17, Page 2, Column 3, Row 4 (i.e., \$15,267,176) or subsequently shown on Attachment DTE-3-34 (a), Page 2 of 12, Column 3, Row 4 (i.e., \$3,342,873), as explained below.

In addition, the "Net Additional Revenue Requirement" originally shown on Schedule JES-17, Page 1, Column 3, Row 17 (i.e., \$3,354,373) or subsequently shown on Attachment DTE-3-34 (a), Page 1 of 12, Column 3, Row 17 (i.e., \$1,307,731), also remain unchanged.

The reason that these figures remain unchanged is because the computational error, which occurred when calculating the Total Cost row (i.e., Row 4) for the Four Year Average, was not the cell reference used to calculate the "Eligible Additions For SIR" or consequently the "Net Additional Revenue Requirement" figures described above. Rather, each of the individual rows (i.e., Rows 1 through 3) for each respective schedule that resulted in the \$3,232,995 amount (i.e., the "Four Year Average") were used to calculate the "Eligible Additions For SIR" figures.

For example, on Schedule JES-17, Page 2 of 12, the Total Cost (i.e., Row 4) associated with the Eligible Additions For SIR (Column 3) of \$15,267,176 = \$12,818,566 + \$2,148,610 + \$300,000.

Witness: Skirtich
D.T.E. 05-27
Exh.BSG/JES-1
Schedule JES-17
Page 2 of 12

Bay State Gas Company
SIR Base Rate Adjustment
Eligible Additions
SAMPLE

Ln. No.	Description	Current Year Total Direct Additions 1/ (1) (\$)	Four Year Avg. Pg. 3, Col. 6 (2) (\$)	Eligible Additions For SIR (3)=(1-2) (\$)
<u>Bare Steel Replacement Costs</u>				
1	Mains	5,872,209	2,733,699	3,138,510
2	Services	1,090,018	1,083,234	6,785
3	Meter Installations and Other Eligible Facilities	<u>421,890</u>	<u>224,311</u>	<u>197,579</u>
4	Total Cost	<u>7,384,117</u>	<u>4,041,244</u>	<u>3,342,873</u>

Witness: Skirtich
D.T.E. 05-27
Exh. BSG/JES -1
Schedule JES -17
Page 3 of 12

**Bay State Gas Company
SIR Base Rate Adjustment
Historical Bare Steel Replacement Capital Expenditures
Direct Costs
2000 through 2003
ACTUAL**

<u>Ln. No.</u>	<u>Description</u> (1)	<u>2000</u> (2) (\$)	<u>2001</u> (3) (\$)	<u>2002</u> (4) (\$)	<u>2003</u> (5) (\$)	<u>Average</u> (6) (\$)
<u>Bare Steel Replacement Costs</u>						
1	Mains	1,683,647	3,555,845	2,533,660	3,161,644	2,733,699
2	Services	744,544	1,324,186	1,077,621	1,186,583	1,083,234
3	Other Additions	<u>130,265</u>	<u>292,982</u>	<u>224,915</u>	<u>249,083</u>	<u>224,311</u>
	Total Cost	2,558,456	5,173,013	3,836,196	4,597,310	4,041,244